

[illegible]

North Shore Gas Company
Statement of Operating Income with Adjustments
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Company Rebuttal Case Pro Forma Present (NS-PGL Ex. 22.1 N, Col. F)	Company Surrebuttal Adjustments (NS-PGL Ex. 39.1 N, Cols. D+E)	Company Surrebuttal Case Pro Forma Present Adjusted (Cols. b+c)
	(a)	(b)	(c)	(d)
1	Base Rates Revenues	\$ 75,170	\$ -	\$ 75,170
2	PGA Revenues	-	-	-
3	ECR Revenues (Coal Tar)	-	-	-
4	Other Revenues	1,550	7	1,557
5	Total Operating Revenue	76,720	7	76,727
6	Uncollectibles Expense	1,675	-	1,675
7	Cost of Gas	-	-	-
8	Other Production	273	-	273
9	Distribution	11,886	-	11,886
10	Customer Accounts	5,678	-	5,678
11	Customer Service and Informational Services	502	-	502
12	Sales	-	-	-
13	Administrative and General	26,614	(79)	26,535
14	Depreciation	10,317	(71)	10,246
15	Storage	-	-	-
16	Transmission	180	-	180
17	Taxes Other than Income	3,348	(1)	3,347
18	Total Operating Expense			
19	Before Income Taxes	60,473	(151)	60,322
20	State Income Tax	313	9	322
21	Federal Income Tax	-	-	-
22	Deferred Taxes and ITCs Net	4,537	54	4,591
23	Total Current and Deferred Income Tax Exp	4,850	63	4,913
24	Total Operating Expenses	65,323	(88)	65,235
25	NET OPERATING INCOME	\$ 11,397	\$ 95	\$ 11,492

North Shore Gas Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Interest Synchronization (App. A, p. 9)	Uncollectibles Expense (App. A, p. 15)	Invested Capital Taxes (App. A, p. 14)	Rate Case Expense (Staff IB)	Rate Case Expense Amortization (Staff IB)	Incentive Compensation (Sch. 12.2 N)	Non-Union Wages (Sch. 12.3 N)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Base Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	PGA Revenues	-	-	-	-	-	-	-	-
3	Coal Tar Revenues	-	-	-	-	-	-	-	-
4	Other Revenues	-	-	-	-	-	-	-	-
5	Total Operating Revenue	-	-	-	-	-	-	-	-
6	Uncollectibles Expense	-	(421)	-	-	-	-	-	(421)
7	Cost of Gas	-	-	-	-	-	-	-	-
8	Other Production	-	-	-	-	-	-	-	-
9	Distribution	-	-	-	-	-	(82)	353	271
10	Customer Accounts	-	-	-	-	-	(75)	71	(4)
11	Customer Service and Informational Services	-	-	-	-	-	(12)	41	29
12	Sales	-	-	-	-	-	-	-	-
13	Administrative and General	-	-	-	(21)	(23)	(986)	(527)	(1,557)
14	Depreciation	-	-	-	-	-	(5)	(5)	(10)
15	Storage	-	-	-	-	-	(6)	52	46
16	Transmission	-	-	-	-	-	-	-	-
17	Taxes Other than Income	-	-	(40)	-	-	(105)	(15)	(160)
18	Total Operating Expense	-	(421)	(40)	(21)	(23)	(1,271)	(30)	(1,806)
19	Before Income Taxes	-	(421)	(40)	(21)	(23)	(1,271)	(30)	(1,806)
20	State Income Tax	(32)	40	4	2	2	121	3	140
21	Federal Income Tax	(106)	133	13	7	7	403	10	467
22	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
24	Total Current and Deferred Income Tax Exp	(138)	173	17	9	9	524	13	607
25	Total Operating Expenses	(138)	(248)	(23)	(12)	(14)	(747)	(17)	(1,199)
26	NET OPERATING INCOME	\$ 138	\$ 248	\$ 23	\$ 12	\$ 14	\$ 747	\$ 17	\$ 1,199

North Shore Gas Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Subtotal Operating Statement Adjustments	Solicitation Services (Staff IB)	Repairs Revenue (Staff IB)	Gas Transportation Admin. Costs (Sch. 12.9 N)	(Source)	(Source)	(Source)	Subtotal Operating Statement Adjustments
	(a)	(j)	(u)	(aa)	(ad)	(n)	(o)	(p)	(q)
1	Base Rate Revenues	\$ -	\$ -	\$ -	\$ -				\$ -
2	PGA Revenues	-	-	-	-	-	-	-	-
3	Coal Tar Revenues	-	-	-	-	-	-	-	-
4	Other Revenues	-	-	1	-	-	-	-	1
5	Total Operating Revenue	-	-	1	-	-	-	-	1
6	Uncollectibles Expense	(421)		-	-	-	-	-	(421)
7	Cost of Gas	-	-	-	-	-	-	-	-
8	Other Production	-	-	-	-	-	-	-	-
9	Distribution	271	-	-	-	-	-	-	271
10	Customer Accounts	(4)	-	-	-	-	-	-	(4)
11	Customer Service and Informational Services	29	-	-	-	-	-	-	29
12	Sales	-	-	-	-	-	-	-	-
13	Administrative and General	(1,557)	(116)		(56)	-	-	-	(1,729)
14	Depreciation	(10)	-	-	-	-	-	-	(10)
15	Storage	46	-	-	-	-	-	-	46
16	Transmission	-	-	-	-	-	-	-	-
17	Taxes Other than Income	(160)	-	-	-	-	-	-	(160)
18	Total Operating Expense								
19	Before Income Taxes	(1,806)	(116)	-	(56)	-	-	-	(1,978)
20	State Income Tax	140	11	-	5	-	-	-	156
21	Federal Income Tax	467	37	-	18	-	-	-	522
22	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
23	Total Current and Deferred Income Tax Exp	607	48	-	23	-	-	-	678
24	Total Operating Expenses	(1,199)	(68)	-	(33)	-	-	-	(1,300)
25	NET OPERATING INCOME	\$ 1,199	\$ 68	\$ 1	\$ 33	\$ -	\$ -	\$ -	\$ 1,301

North Shore Gas Company
Rate Base
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Company Pro Forma Jurisdictional Rate Base (App. A, p. 6 Col. d)	Staff Adjustments (App. A, p. 7)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant	\$ 431,439	\$ (392)	\$ 431,047
2	Accumulated Provision for Depr. and Amort.	(178,748)	28	(178,720)
3		-	-	-
4	Net Plant	\$ 252,691	\$ (364)	\$ 252,327
5	Additions to Rate Base:			
6	Cash Working Capital	2,198	(511)	1,687
7	Materials and Supplies	1,785	(85)	1,700
8	Gas in Storage	6,629	(4,171)	2,458
9	Retirement Benefits, Net	(2,804)	(3,942)	(6,746)
10	Budget Plan Balances	2,085	-	2,085
11	-	-	-	-
12	Deductions From Rate Base:	-		
13	Accumulated Deferred Income Taxes	(64,560)	1,561	(62,999)
14	Customer Deposits	(2,650)	-	(2,650)
15	Customer Advances for Construction	(631)	-	(631)
16	Reserve for Injuries and Damages	(2,181)	-	(2,181)
17	-	-	-	-
18	-	-	-	-
19	-	-	-	-
20	-	-	-	-
21	-	-	-	-
22	-	-	-	-
23	Rate Base	<u>\$ 192,562</u>	<u>\$ (7,512)</u>	<u>\$ 185,050</u>

North Shore Gas Company
Rate Base
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Company Rebuttal Pro Forma Rate Base (NS-PGL Ex. 23.1 N, Col. F)	Company Surrebuttal Adjustments (NS-PGL Ex. 40.1 N, Col. E)	Company Surrebuttal Case Pro Forma Rate Base (Cols. b+c)
	(a)	(b)	(c)	(d)
1	Gross Utility Plant	\$ 433,550	\$ (2,111)	\$ 431,439
2	Accumulated Provision for Depr. and Amort.	(178,804)	56	(178,748)
3	-	-	-	-
4	Net Plant	254,746	(2,055)	252,691
5	Additions to Rate Base			
6	Cash Working Capital	2,150	48	2,198
7	Materials and Supplies	1,785	-	1,785
8	Gas in Storage	6,629	-	6,629
9	Retirement Benefits, Net	(2,804)	-	(2,804)
10	Budget Plan Balances	2,085	-	2,085
11	-	-	-	-
12	Deductions From Rate Base:			
13	Accumulated Deferred Income Taxes	(66,346)	1,786	(64,560)
14	Customer Deposits	(2,650)	-	(2,650)
15	Customer Advances for Construction	(631)	-	(631)
16	Reserve for Injuries and Damages	(2,181)	-	(2,181)
17	-	-	-	-
18	-	-	-	-
19	-	-	-	-
20	-	-	-	-
21	-	-	-	-
22	-	-	-	-
23	Rate Base	\$ 192,783	\$ (221)	\$ 192,562

North Shore Gas Company
Adjustments to Rate Base
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Cash Working Capital (Sch. 10.8 N)	Pension Asset (Sch. 12.1 N)	Incentive Compensation (Sch. 12.2 N)	Non-Union Wages (Sch. 12.3 N)	Materials & Supplies (Sch. 12.4 N)	Gas in Storage (Sch. 12.5 N)	(Source)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(k)	(h)	(i)
1	Gross Utility Plant	\$ -		\$ (208)	\$ (184)	\$ -	\$ -	\$ -	\$ (392)
2	Accumulated Provision for Depr. and Amort.	-		23	5	-	-	-	28
3		-	-	-	-	-	-	-	-
4	Net Plant	\$ -	\$ -	\$ (185)	\$ (179)	-	-	-	\$ (364)
5	Additions to Rate Base:								
6	Cash Working Capital	(511)	-	-	-	-	-	-	(511)
7	Materials and Supplies	-	-	-	-	(85)	-	-	(85)
8	Gas in Storage	-	-	-	-	-	(4,171)	-	(4,171)
9	Retirement Benefits, Net	-	(3,942)	-	-	-	-	-	(3,942)
10	Budget Plan Balances	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12	Deductions From Rate Base:								
13	Accumulated Deferred Income Taxes	-	1,548	8	5	-	-	-	1,561
14	Customer Deposits	-	-	-	-	-	-	-	-
15	Customer Advances for Construction	-	-	-	-	-	-	-	-
16	Reserve for Injuries and Damages	-	-	-	-	-	-	-	-
17		-	-	-	-	-	-	-	-
18		-	-	-	-	-	-	-	-
19		-	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (511)	\$ (2,394)	\$ (177)	\$ (174)	\$ (85)	\$ (4,171)	\$ -	\$ (7,512)

North Shore Gas Company
Revenue Effect of Staff's Adjustments
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	North Shore's Proposal	Staff's Adjustments	Staff's Proposal
	(a)	(b)	(c)	(d)
1	Summary			
2	Current Revenues	\$ 76,727		\$ 76,727
3	Proposed Increase	8,347	(7,819)	528
4	Proposed Revenue Requirement	\$ 85,074	\$ (7,819)	\$ 77,255
5	Percentage Increase	10.88 %	(10.19)%	0.69 %
6	Effect of Each Staff Adjustment			
7	Rate of Return		\$ (4,676)	
8	Incentive Compensation (Sch. 12.2 N)		(1,295)	
9	Gas in Storage (Sch. 12.5 N)		(426)	
10	Uncollectibles Expense		(424)	
11	Interest Synchronization (App. A, p. 9)		(379)	
12	Pension Asset (Sch. 12.1 N)		(244)	
13	Solicitation Services (Staff IB)		(116)	
14	Gas Transportation Admin. Costs (Sch. 12.9 N)		(56)	
15	Cash Working Capital (Sch. 10.8 N)		(52)	
16	Non-Union Wages (Sch. 12.3 N)		(47)	
17	Invested Capital Taxes (App. A, p. 14)		(39)	
18	Rate Case Expense Amortization (Staff IB)		(24)	
19	Rate Case Expense (Staff IB)		(21)	
20	Materials & Supplies (Sch. 12.4 N)		(9)	
21	Gross Revenue Conversion Factor		(9)	
22	Repairs Revenue (Staff IB)		-	
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37	Rounding		(2)	
38	Effect of Staff's Adjustments		\$ (7,819)	
39	Reconciliation to Schedule 10.01			
40	Column (c), line 5.		1	
41	Column (f), line 5.		(9)	
42	Column (h), line 5.		(7,811)	
43	Total Effect of Staff's Adjustments		\$ (7,819)	

North Shore Gas Company
Interest Synchronization Adjustment
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount
	(a)	(b)
1	Rate Base	\$ 185,050 ⁽¹⁾
2	Weighted Cost of Debt	<u>2.70%</u> ⁽²⁾
3	Synchronized Interest Per Staff (Line 1 x Line 2)	\$ 4,996
4	Company Interest Expense	<u>4,660</u> ⁽³⁾
5	Increase (Decrease) in Interest Expense	<u>\$ 336</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ (32)</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ (106)</u>
10	Total Income Tax Expense	<u>\$ (138)</u>

(1) Source: Appendix A, p. 5, column (d), line 23
(2) Source: ICC Staff Exhibit 13.0, Schedule 13.1
(3) Source: Company NS-PGL Ex. 39.7 N

North Shore Gas Company
Gross Revenue Conversion Factor
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	1.000000
2	Uncollectibles expense percentage per Staff (1)	0.5936%	<u>0.005936</u>	
3	State Taxable Income		0.994064	
4	State Income Tax	9.5000%	<u>0.094436</u>	<u>0.095000</u>
5	Federal Taxable Income		0.899628	0.905000
6	Federal Income Tax	35.0000%	<u>0.314870</u>	<u>0.316750</u>
7	Operating Income		<u>0.584758</u>	<u>0.588250</u>
8	Gross Revenue Conversion Factor Per Staff (Line 1 / Line 7)		<u>1.710109</u>	<u>1.699958</u>

(1) ICC Staff Ex. 1.0, p. 22 lines 491 - 493

North Shore Gas Company
Adjustment to Cash Working Capital
For the Test Year Ending December 31, 2012
(In Thousands)

Line No. (A)	Item (B)	Amount (C)	Lag (Lead) (D)	CWC Factor (D) / 365 (E)	CWC Requirement (C) x (E) (F)	Column (C) Source (G)
1	Revenues	\$ 206,526	44.77	0.12266	\$ 25,332	Appendix A, p. 12, Column C, Line 6
2	Pass Through Taxes	16,900	0.00	0.00000	-	Sum of lines 16 - 19 below
3	Payroll and Withholdings	6,622	(14.14)	(0.03874)	(257)	Appendix A, p. 13, Column C, Line 4
4	Inter Company Billings	32,937	(38.23)	(0.10474)	(3,450)	North Shore Schedule B-8, Page 1 of 3, Column B, Line 5
5	Natural Gas	148,869	(40.53)	(0.11104)	(16,531)	North Shore Schedule C-1, line 6, column C
6	Other Operations and Maintenance	(199)	(42.44)	(0.11627)	23	Appendix A, p. 12, Column C, Line 18
7	Federal Insurance Contributions (FICA)	586	(16.14)	(0.04422)	(26)	Appendix A, p. 13, Column C, Line 11
8	Federal Unemployment Tax	4	(76.38)	(0.20926)	(1)	North Shore Schedule C-18, line 3 column B
9	State Unemployment Tax	21	(79.70)	(0.21836)	(5)	North Shore Schedule C-18, line 10 column B
10	Property/Real Estate Taxes	236	(374.82)	(1.02690)	(242)	North Shore Schedule B-8, Page 1 of 3, Column B, Line 12
11	Invested Capital Tax	1,605	(30.38)	(0.08323)	(134)	Appendix A, p. 13, Column C, Line 7
12	Corporation Franchise Tax	25	(184.82)	(0.50636)	(13)	North Shore Schedule C-18, line 9 column B
13	Sales and Use Tax	5	(38.74)	(0.10614)	(1)	North Shore Schedule C-18, line 11 column B
14	Federal Excise Tax	2	(75.12)	(0.20581)	-	North Shore Schedule C-18, line 4 column B
15	Unauthorized Insurance Tax	14	136.91	0.37510	5	North Shore Schedule C-18, line 14 column B
16	ICC Gas Revenue Tax	239	32.31	0.08852	21	North Shore Schedule B-8, Page 1 of 3, Column B, Line 19
17	Gross Receipts/Municipal Utility Tax	6,727	(46.50)	(0.12740)	(857)	North Shore Schedule B-8, Page 1 of 3, Column B, Line 20
18	Energy Assistance Charges	1,787	(35.50)	(0.09726)	(174)	North Shore Schedule B-8, Page 1 of 3, Column B, Line 21
19	IDOR Gas Revenue/Public Utility tax	8,147	(28.15)	(0.07712)	(628)	North Shore Schedule B-8, Page 1 of 3, Column B, Line 22
20	Interest Expense	4,996	(91.25)	(0.25000)	(1,249)	Appendix A, p. 9, Column b, Line 3
21	Federal Income Tax	688	(37.88)	(0.10378)	(71)	Appendix A, p. 1, Column I, Line 21
22	State Income Tax	527	(37.88)	(0.10378)	(55)	Appendix A, p. 1, Column I, Line 20
23	Cash Working Capital per Staff				\$ 1,687	Sum of Lines 1 through 22
24	Cash Working Capital per Company				<u>2,198</u>	NS-PGL Ex. 40.4N
25	Difference -- Staff Adjustment				<u>\$ (511)</u>	Line 23 - Line 24

Note: Lag (Lead) is from North Shore Schedule B-8, Page 1 of 2, Column B

North Shore Gas Company
Adjustment to Cash Working Capital
For the Test Year Ending December 31, 2012
(In Thousands)

Line No.	Description	Amount	Source
(A)	(B)	(C)	(D)
1	Total Operating Revenues	\$ 77,255	Appendix A, p. 1, Column I, Line 5
2	PGA Revenue	148,869	North Shore Schedule C-1, line 6, column C
3	Uncollectible Accounts	(1,257)	Appendix A, p. 1, Column I, Line 6
4	Depreciation & Amortization	(10,236)	Appendix A, p. 1, Column I, Line 14
5	Return on Equity	(8,105)	Line 9 below
6	Total Revenues for CWC calculation	<u>\$ 206,526</u>	Sum of Lines 1 through 5
7	Total Rate Base	\$ 185,050	Appendix A, p. 5, Column d, Line 23
8	Weighted Cost of Capital	<u>4.38%</u>	ICC Staff Ex. 13.0, Schedule 13.01
9	Return on equity deduction from revenue	<u>\$ 8,105</u>	Line 7 x Line 8
10	O & M Expenses	\$ 58,347	Appendix A, p. 1, Column I, Line 19
11	Payroll and Withholdings	(6,622)	Appendix A, p. 13, Column C, Line 4
12	Inter Company Billings	(32,937)	North Shore Schedule B-8, Page 1 of 3, Column B, Line 5
13	FICA	(586)	Appendix A, p. 13, Column C, Line 11
14	Taxes Other Than Income excluding FICA	(1,912)	Appendix A, p. 11, Column C, Sum of Lines 8 through 15
15	Interest Expense	(4,996)	Appendix A, p. 11, Column C, Line 20
16	Uncollectible Accounts	(1,257)	Appendix A, p. 1, Column I, Line 6
17	Depreciation & Amortization	<u>(10,236)</u>	Appendix A, p. 1, Column I, Line 14
18	Other Operations & Maintenance	<u>\$ (199)</u>	Sum of Lines 10 through 14

North Shore Gas Company
Adjustment to Cash Working Capital
For the Test Year Ending December 31, 2012
(In Thousands)

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	Payroll and Withholdings per Company Filing	\$ 8,135	North Shore Schedule B-8, Page 1 of 2, Column B, Line 4
2	Incentive Compensation Adjustment	(986)	Appendix A, p. 3, Column g, Line 13
3	Non-Union Wages Adjustment	<u>(527)</u>	Appendix A, p. 3, Column h, Line 13
4	Payroll and Withholdings per Staff	<u>\$ 6,622</u>	Sum of Lines 1 through 4
5	Invested Capital Tax per Company Filing	\$ 1,645	North Shore Schedule C-18, line 8 column B
6	Invested Capital Tax Adjustment	<u>(40)</u>	Appendix A, p. 3, Column d, Line 17
7	Invested Capital Tax per Staff	<u>\$ 1,605</u>	Sum of Lines 17 through 19
8	FICA per Company	706	Peoples Gas Schedule B-8, Page 1 of 3, Column B, Line 9
9	Incentive Compensation Adjustment	(105)	Appendix A, p. 3, Column g, Line 17
10	Non-Union Wages Adjustment	<u>(15)</u>	Appendix A, p. 3, Column h, Line 17
11	FICA per Staff	<u>\$ 586</u>	Sum of Lines 8 through 10

North Shore Gas
Invested Capital Tax Adjustment
For the Test Year Ending December 31, 2012
(In Thousands)

Line (A)	Description (B)	Amount (C)	Source (D)
1	Rate Base	\$ 185,050	Appendix A, p. 1, col. i, line 26
2	Rate of Return	<u>7.08%</u>	Appendix A, p. 1, col. i, line 27
3	Operating Income Required	\$ 13,102	Line 1 x Line 2
4	Pro forma operating income at present rates adjusted before ICT adjustment	<u>12,833</u>	Appendix A, p. 1, col. d line 25 - Appendix A, p. 3, col. d line 17
5	Operating Income Additional Allowed	\$ 269	Line 3 - line 4
6	Invested Capital Tax Rate	<u>0.80%</u>	NS-PGL Ex. WPC-2.14
7	Incremental Invested Capital Tax Impact per Staff	\$ 2	Line 5 x line 6
8	Incremental Invested Capital Tax Impact per Company	<u>42</u>	NS-PGL Ex. WPC-2.14
9	Staff Proposed Adjustment	<u><u>\$ (40)</u></u>	Line 7 - line 8

North Shore Gas
Uncollectibles Expense Adjustment
For the Test Year Ending December 31, 2012
(In Thousands)

Line (A)	Description (B)	Amount (C)	Source (D)
1	2010 Write-offs	\$ 1,850	Data Request NS AG 1.31
2	2010 Recoveries	<u>596</u>	Data Request NS AG 1.31
3	2010 Net Write-offs	\$ 1,254	Line 1 - Line 2
4	Companies Uncollectibles Expense	<u>1,675</u>	Schedule B-1
5	Staff Proposed Adjustment	<u><u>\$ (421)</u></u>	Line 3 - line 4